

STRUCTURAL TRANSFORMATION AND POVERTY REDUCTION IN BHUTAN

**Expert Group Meeting
Bangkok, 12-13 November 2018**

tandin.wangchuk@gmail.com

Outline

- Brief Overview
- Macro challenges
- Recent Policy Measures
- Trend in Poverty
- Measures to reduce Poverty

OVERVIEW OF THE ECONOMY

(as of 2016)

Population: 0.77 million

Fiscal Deficit (as% of GDP): 4.06%

National Poverty Rate: 8.2%

GDP (USD million): 2,212.79

External Debt (as % of GDP): 101.54%

Unemployment: 2.1%

GDP Growth rate: 7.9%

Current AC Deficit (as % of GDP): 24.44%

Youth Unemployment: 13.2%

GDP percapita (In USD): 2,879/-

Reserves Position: 10.2 months of import

Inflation (CPI): 3.22%

CHALLENGES

- Still highly dependent on one sector (hydropower) and trading partner
- Limited diversification due to landlocked and limited economies of scale
- Low value addition; Hence, limited job creation in Industry sector (8.7%)
- Persistent CA deficit
- Rising Youth Unemployment

Recent Policy Measures

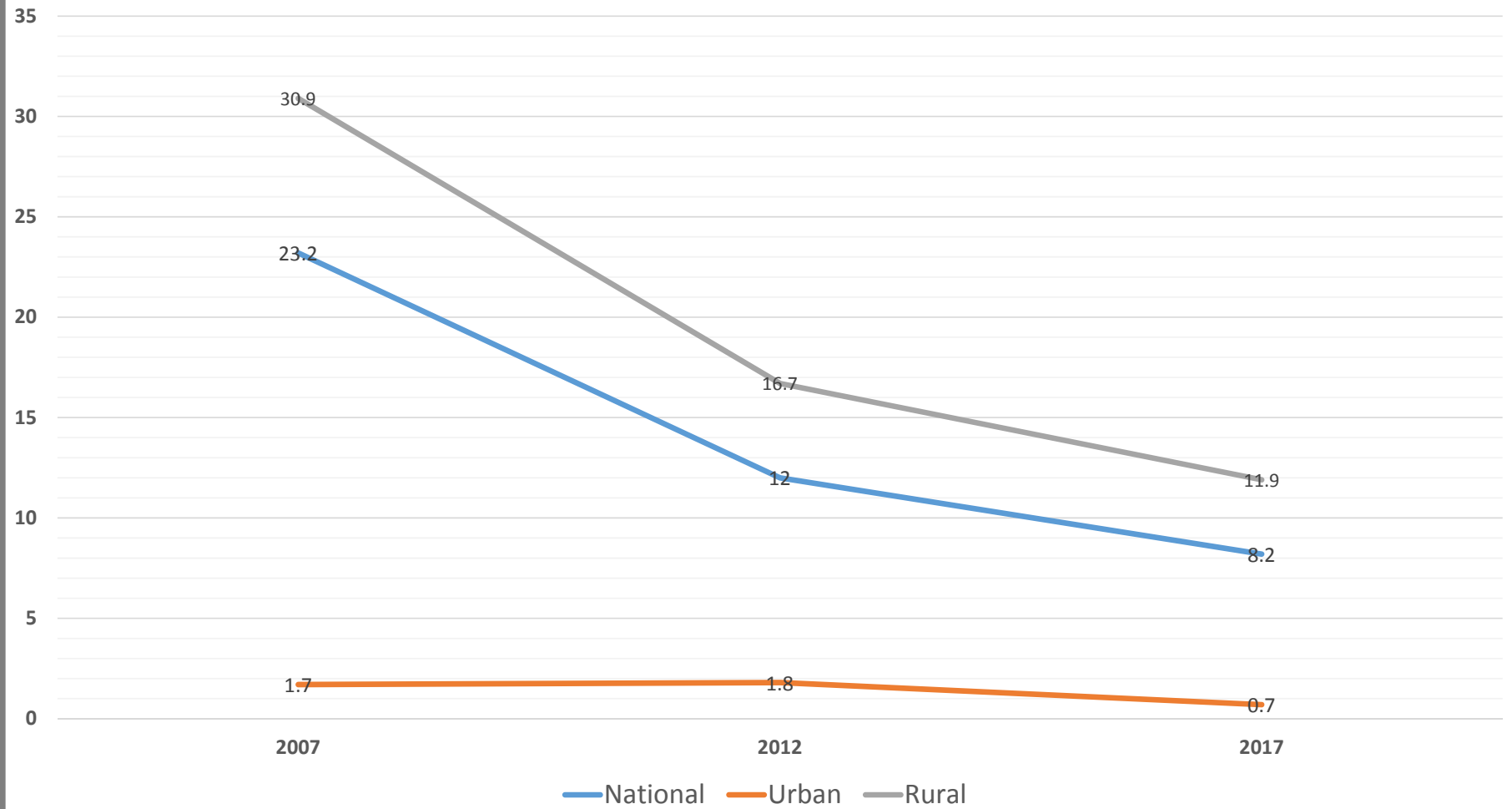
Increased attention on Eco Diversification

- Domestic capacity building: Established Hydropower Service Ltd (for hydropower repair and maintenance) – 2014
- Jigme Wangchuk Power Training Institute established in 2016
- Improved rural infrastructure (farm roads & communication network) and mechanization in 11th FYP (2013-2018)
- Priority Sector Lending and micro finance introduced in 11th FYP
- Entrepreneurship

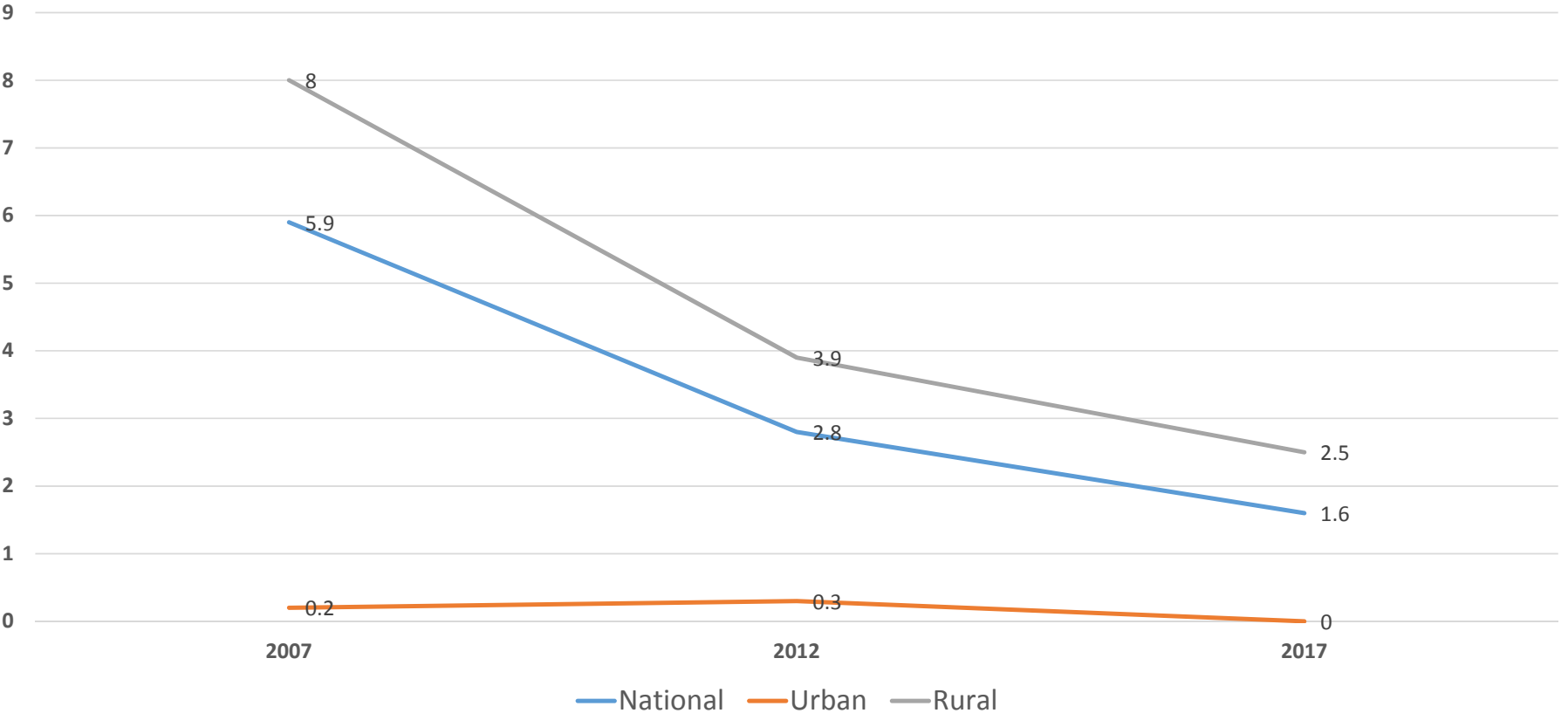
Flagship Programs in 12th FYP (2018-2023)

- Development of Organic farming and Agri-business
- Eco-Tourism
- Development of CSIs: Product identification; value chain analysis

Trend in Poverty



Trend in Subsistence Poverty



Poverty Reduction Measures

- GNH: Inclusive and sustainable development that has mainstreamed poverty into development process
- Continued investment in social sectors: Successive Five Year Plans have been in favor of Poverty Reduction 10th FYP (2008-2013); 11th FYP (2013-2018); 12th FYP (2018-2023)
- Resource Allocation Formula for Local Governments : 45% weight for poverty
- Rural Economic Advancement Program (REAP): Village level intervention
- Targeted Household Poverty Program (THPP): Household level intervention